

UNION COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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UNION COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom McCann	Board of Supervisors	Jan. 2007
Michael J. King	Board of Supervisors	Jan. 2007
Curt Turner	Board of Supervisors	Jan. 2007
Robert G. Brown	Board of Supervisors	Jan. 2009
Donald W. Ireland	Board of Supervisors	Jan. 2009
Sandy Hysell	County Auditor	Jan. 2009
Linda Marley	County Treasurer	Jan. 2007
Paula White	County Recorder	Jan. 2007
Rick L. Piel	County Sheriff	Jan. 2009
Timothy R. Kenyon	County Attorney	Jan. 2007
Steven Gene Haner	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Union County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union County at June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2006 on our consideration of Union County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 42 through 44 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. The financial statements for the three years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 12, 2006

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Basic Financial Statements

UNION COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,594,812
Receivables:	
Property tax:	
Delinquent	16,653
Succeeding year	3,674,000
Interest and penalty on property tax	40,071
Accounts	31,986
Accrued interest	23,719
Due from other governments	259,563
Inventories	113,124
Prepaid expenses	16,705
Capital assets, net of accumulated depreciation (note 4)	<u>6,004,373</u>
Total assets	<u>12,775,006</u>
Liabilities	
Accounts payable	188,774
Salaries and benefits payable	60,579
Due to other governments (note 5)	248,407
Accrued interest payable	13,801
Reserve for claims incurred but not reported	105,000
Deferred revenue:	
Succeeding year property tax	3,674,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
Capital lease purchase agreement	26,331
General obligation bonds	355,000
Rural development loan	3,425
Compensated absences	147,666
Portion due or payable after one year:	
Capital lease purchase agreements	56,558
General obligation bonds, net of deferred amortization costs	3,884,857
Rural development loan	<u>17,150</u>
Total liabilities	<u>8,781,548</u>

UNION COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 1,661,052
Restricted for:	
Supplemental levy purposes	140,005
Mental health purposes	56,398
Rural services	187,880
Secondary roads	808,717
Capital projects	321
Other special revenue purposes	404,649
Unrestricted	<u>734,436</u>
Total net assets	<u>\$ 3,993,458</u>

See notes to financial statements.

UNION COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 1,220,160	\$ 97,082	\$ 40,205	\$ -	\$ (1,082,873)
Physical health and social services	374,417	22,377	139,445	-	(212,595)
Mental health	1,573,478	-	463,039	-	(1,110,439)
County environment and education	451,705	131,883	45,593	-	(274,229)
Roads and transportation	2,655,477	70,231	1,739,193	1,176,429	330,376
Government services to residents	476,634	231,789	112,352	-	(132,493)
Administration	897,296	29,498	-	-	(867,798)
Interest on long-term debt	190,378	-	-	-	(190,378)
Total	\$ 7,839,545	\$ 582,860	\$ 2,539,827	\$ 1,176,429	(3,540,429)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,222,417
Tax increment financing					59,614
Debt service					261,386
Penalty and interest on property tax					67,738
State tax credits					220,636
Local option sales and services tax					384,843
Grants and contributions not restricted to a specific purpose					26,033
Unrestricted investment earnings					141,232
Miscellaneous					16,823
Total general revenues					4,400,722
Change in net assets					860,293
Net assets beginning of year, as restated (note 11)					3,133,165
Net assets end of year					\$ 3,993,458

See notes to financial statements.

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UNION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 680,935	\$ 322,521	\$ 175,828	\$ 696,312
Receivables:				
Property tax:				
Delinquent	9,401	3,465	2,522	-
Succeeding year	1,965,000	706,000	489,000	-
Interest and penalty on property tax	40,071	-	-	-
Accounts	24,076	-	75	6,522
Accrued interest	17,757	-	-	-
Due from other governments	41,394	1,193	38,545	171,201
Inventories	-	-	-	113,124
Prepaid expenses	15,513	-	-	1,192
Total assets	\$ <u>2,794,147</u>	\$ <u>1,033,179</u>	\$ <u>705,970</u>	\$ <u>988,351</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 410,724	\$ 2,286,320
1,265	16,653
514,000	3,674,000
-	40,071
336	31,009
3,132	20,889
7,230	259,563
-	113,124
-	16,705
<u>\$ 936,687</u>	<u>\$ 6,458,334</u>

UNION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 62,509	\$ 47,523	\$ 18,991	\$ 54,183
Salaries and benefits payable	18,011	242	7,590	34,736
Due to other governments (note 5)	25,391	223,016	-	-
Deferred revenue:				
Succeeding year property tax	1,965,000	706,000	489,000	-
Other	49,472	3,465	2,522	-
Total liabilities	<u>2,120,383</u>	<u>980,246</u>	<u>518,103</u>	<u>88,919</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	113,124
Prepaid expenses	15,513	-	-	1,192
Supplemental levy purposes	142,541	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	515,710	-	-	-
Special revenue funds	-	52,933	187,867	785,116
Capital projects fund	-	-	-	-
Total fund balances	<u>673,764</u>	<u>52,933</u>	<u>187,867</u>	<u>899,432</u>
Total liabilities and fund balances	<u>\$ 2,794,147</u>	<u>\$ 1,033,179</u>	<u>\$ 705,970</u>	<u>\$ 988,351</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,568	\$ 188,774
-	60,579
-	248,407
514,000	3,674,000
1,265	56,724
<u>520,833</u>	<u>4,228,484</u>
-	113,124
-	16,705
-	142,541
10,884	10,884
-	515,710
404,649	1,430,565
321	321
<u>415,854</u>	<u>2,229,850</u>
<u>\$ 936,687</u>	<u>\$ 6,458,334</u>

UNION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances of governmental funds	\$	2,229,850
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$9,504,876 and the accumulated depreciation is \$3,500,503.		6,004,373
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		56,724
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The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.		207,299
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(13,801)
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Long-term liabilities, including capital lease purchase agreement payable, bonds payable, rural development loan payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,490,987)</u>
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Net assets of governmental activities	\$	<u><u>3,993,458</u></u>
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See notes to financial statements.

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UNION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,989,003	\$ 704,635	\$ 720,164	\$ 192,422
Interest and penalty on property tax	49,311	-	-	-
Intergovernmental	351,420	508,474	130,443	1,739,939
Licenses and permits	3,512	-	13,840	1,301
Charges for service	416,213	-	569	-
Use of money and property	121,428	-	-	-
Miscellaneous	36,699	-	2,410	68,183
Total revenues	<u>2,967,586</u>	<u>1,213,109</u>	<u>867,426</u>	<u>2,001,845</u>
Expenditures:				
Operating:				
Public safety and legal services	1,126,779	-	44,354	-
Physical health and social services	207,066	-	133,276	-
Mental health	-	1,573,478	-	-
County environment and education	292,496	-	83,054	-
Roads and transportation	-	-	91,749	2,179,301
Government services to residents	503,384	-	-	-
Administration	848,301	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	496,890
Total expenditures	<u>2,978,026</u>	<u>1,573,478</u>	<u>352,433</u>	<u>2,676,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,440)</u>	<u>(360,369)</u>	<u>514,993</u>	<u>(674,346)</u>
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	459,647
Interfund transfers out (note 3)	(43,024)	-	(416,623)	-
Total other financing sources (uses)	<u>(43,024)</u>	<u>-</u>	<u>(416,623)</u>	<u>459,647</u>
Net change in fund balances	(53,464)	(360,369)	98,370	(214,699)
Fund balances beginning of year	<u>727,228</u>	<u>413,302</u>	<u>89,497</u>	<u>1,114,131</u>
Fund balances end of year	<u>\$ 673,764</u>	<u>\$ 52,933</u>	<u>\$ 187,867</u>	<u>\$ 899,432</u>

See notes to financial statements.

Nonmajor Governmental			
Funds		Total	
<hr/>		<hr/>	
\$	320,717	\$	3,926,941
	-		49,311
	85,837		2,816,113
	-		18,653
	3,456		420,238
	31,356		152,784
	-		107,292
	<hr/> 441,366		<hr/> 7,491,332
	626		1,171,759
	5,327		345,669
	-		1,573,478
	11,417		386,967
	-		2,271,050
	2,013		505,397
	-		848,301
	518,399		518,399
	43,703		540,593
	<hr/> 581,485		<hr/> 8,161,613
	(140,119)		(670,281)
	39,435		499,082
	(39,435)		(499,082)
	<hr/> -		<hr/> -
	(140,119)		(670,281)
	<hr/> 555,973		<hr/> 2,900,131
\$	<hr/> 415,854	\$	<hr/> 2,229,850

UNION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (670,281)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 498,163	
Capital assets contributed by the Iowa Department of Transportation	1,176,429		
Depreciation expense	<u>(301,146)</u>		1,373,446

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

	Property tax	1,320	
	Other	<u>18,427</u>	19,747

Repayment of purchase agreement, bond and rural development loan principal
is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net assets. 327,412

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

	Compensated absences	(4,974)	
Interest on long-term debt	<u>609</u>		(4,365)

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities. (185,666)

Change in net assets of governmental activities \$ 860,293

See notes to financial statements.

UNION COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 308,492
Receivables:	
Accounts	977
Accrued interest	<u>2,830</u>
Total assets	<u>312,299</u>
Liabilities	
Reserve for claims incurred but not reported	<u>105,000</u>
Net Assets	
Unrestricted	\$ <u><u>207,299</u></u>

See notes to financial statements.

UNION COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 674,284
Reimbursements from employees and retirees	121,058
Insurance reimbursements	<u>168,058</u>
Total operating revenues	<u>963,400</u>
Operating expenses:	
Medical claims	926,795
Insurance premiums	165,334
Administrative fees	63,703
Miscellaneous	<u>5,564</u>
Total operating expenses	<u>1,161,396</u>
Operating loss	(197,996)
Non-operating revenues:	
Interest on investments	<u>12,330</u>
Net loss	(185,666)
Net assets beginning of year, as restated (note 11)	<u>392,965</u>
Net assets end of year	<u>\$ 207,299</u>

See notes to financial statements.

UNION COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 674,284
Cash received from employees and retirees	121,058
Cash received from insurance reimbursements	198,318
Cash payments to suppliers for services	<u>(1,136,396)</u>
Net cash used by operating activities	<u>(142,736)</u>
Cash flows from investing activities:	
Interest on investments	9,500
Purchase of investments	<u>(203,277)</u>
Net cash used by investing activities	<u>(193,777)</u>
Net decrease in cash and cash equivalents	(336,513)
Cash and cash equivalents at beginning of year, as restated	<u>441,728</u>
Cash and cash equivalents at end of year	<u>\$ 105,215</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (197,996)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	30,260
Increase in reserve for claims incurred but not reported	<u>25,000</u>
Net cash used by operating activities	<u>\$ (142,736)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:	
Cash and pooled investments	\$ 308,492
Less items not meeting the definition of a cash equivalent:	
Certificates of deposit	<u>(203,277)</u>
Cash and cash equivalents end of year	<u>\$ 105,215</u>

See notes to financial statements.

UNION COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

Assets

Cash and pooled investments:

County Treasurer	\$ 1,834,457
Other County officials	29,668

Receivables:

Property tax:

Delinquent	44,891
Succeeding year	8,772,000

Accounts	65,614
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Accrued interest	9,996
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Due from other governments	<u>21,715</u>
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Total assets	<u>10,778,341</u>
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Liabilities

Accounts payable	100,408
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Salaries and benefits payable	226
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Due to other governments (note 5)	10,605,452
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Trusts payable	60,797
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Compensated absences	<u>11,458</u>
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Total liabilities	<u>10,778,341</u>
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Net assets	\$ <u><u>-</u></u>
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See notes to financial statements.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

Union County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Union County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Union County Assessor's Conference Board and Union County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, South Iowa Area Detention Service Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E911 Service Board and Union County Development Association.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2006 included certificates of deposit of \$203,277 with maturity dates longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	10-50
Improvements other than buildings	25-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond amortization costs are reported as deferred charges and amortized over the term of the related debt.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the County environment and education and debt service functions and disbursements in two departments exceeded the amounts appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the County had the following investments:

	<u>Amortized Cost/ Fair Value</u>
Iowa Public Agency Investment Trust	\$ 403,097
U.S. government bonds	<u>4,000</u>
	<u>\$ 407,097</u>

The investments in the Iowa Public Agency Investment Trust are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The U.S. government bonds are stated at fair value.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 43,024
	Special Revenue: Rural Services	416,623
Capital Projects	Resource Enhancement and Protection	3,830
	Conservation Land Acquisition	<u>35,605</u>
		\$ <u><u>499,082</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,619	\$ -	\$ -	\$ 253,619
Construction in progress	1,396,974	353,155	1,396,974	353,155
Total capital assets not being depreciated	<u>1,650,593</u>	<u>353,155</u>	<u>1,396,974</u>	<u>606,774</u>
Capital assets being depreciated:				
Buildings	1,888,006	-	-	1,888,006
Improvements other than buildings	27,710	-	-	27,710
Machinery and equipment	3,017,886	145,008	11,550	3,151,344
Infrastructure	1,257,639	2,573,403	-	3,831,042
Total capital assets being depreciated	<u>6,191,241</u>	<u>2,718,411</u>	<u>11,550</u>	<u>8,898,102</u>
Less accumulated depreciation for:				
Buildings	1,086,221	36,690	-	1,122,911
Improvements other than buildings	3,694	1,847	-	5,541
Machinery and equipment	2,108,358	161,750	11,550	2,258,558
Infrastructure	12,634	100,859	-	113,493
Total accumulated depreciation	<u>3,210,907</u>	<u>301,146</u>	<u>11,550</u>	<u>3,500,503</u>
Total capital assets being depreciated, net	<u>2,980,334</u>	<u>2,417,265</u>	<u>-</u>	<u>5,397,599</u>
Governmental activities capital assets, net	<u>\$ 4,630,927</u>	<u>\$ 2,770,420</u>	<u>\$ 1,396,974</u>	<u>\$ 6,004,373</u>

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 25,867
Physical health and social services	26,887
County environment and education	13,536
Roads and transportation	213,982
Government services to residents	11,000
Administration	<u>9,874</u>

Total depreciation expense - governmental activities	<u><u>\$ 301,146</u></u>
------------------------------------------------------	--------------------------

Note 5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 25,391
Special Revenue:		
Mental Health	Services	<u>223,016</u>
Total for governmental funds		<u><u>\$ 248,407</u></u>
Agency:		
County Assessor	Collections	\$ 286,600
County Hospital		1,111,106
Schools		5,180,811
Community Colleges		218,143
Corporations		2,118,228
Auto License and Use Tax		211,379
Prairie Solid Waste Agency		1,181,918
All Other		<u>297,267</u>
Total for agency funds		<u><u>\$ 10,605,452</u></u>

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Capital Lease Purchase Agreement	General Obligation Bonds*	Rural Development Loan	Compensated Absences	Total
Balance beginning of year	\$ 108,000	\$ 4,538,733	\$ 24,000	\$ 142,692	\$ 4,813,425
Increases	-	-	-	147,666	147,666
Decreases	25,111	298,876	3,425	142,692	470,104
Balance end of year	<u>\$ 82,889</u>	<u>\$ 4,239,857</u>	<u>\$ 20,575</u>	<u>\$ 147,666</u>	<u>\$ 4,490,987</u>
Due within one year	<u>\$ 26,331</u>	<u>\$ 355,000</u>	<u>\$ 3,425</u>	<u>\$ 147,666</u>	<u>\$ 532,422</u>

* = net of deferred amortization costs

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a John Deere motor grader with a historical cost of \$165,000. The following is a schedule of the future minimum lease payments, including interest of 4.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2006.

Year Ending June 30,	Total
2007	\$ 30,355
2008	30,355
2009	<u>30,354</u>
Total minimum lease payments	91,064
Less amount representing interest	<u>(8,175)</u>
Present value of net minimum lease payments	<u>\$ 82,889</u>

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 6. Long-Term Liabilities (continued)

General Obligation Urban Renewal Refunding Bonds Payable

A summary of the County's June 30, 2006 general obligation urban renewal refunding bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	2.500 %	\$ 355,000	\$ 164,299	\$ 519,299
2008	3.250	365,000	155,424	520,424
2009	3.250	375,000	143,561	518,561
2010	3.250	385,000	131,374	516,374
2011	3.400	400,000	118,861	518,861
2012	3.600	415,000	105,261	520,261
2013	3.750	425,000	90,321	515,321
2014	3.875	445,000	74,384	519,384
2015	3.900	460,000	57,140	517,140
2016	4.000	480,000	39,200	519,200
2017	4.000	500,000	20,000	520,000
		<u>\$ 4,605,000</u>	<u>\$ 1,099,825</u>	<u>\$ 5,704,825</u>

During the year ended June 30, 2004, the County performed an advance refunding of the old general obligation capital loan notes dated 1997 and 1998. The advance refunding resulted in a difference between the reacquisition price of the new debt and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds, is being amortized through the year 2014 using the straight line method. Deferred amortization costs totaled \$365,143 at June 30, 2006. Amortization expense totaled \$46,124 for the current year.

Refunded General Obligation Bonds

During the year ended June 30, 2004, the County entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation capital loan notes as they become due. After the principal and interest on all of the outstanding notes have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the County. The transactions, balances and liabilities of the escrow account are not recorded by the County. The amount of the refunded general obligation capital loan notes considered extinguished and, therefore, excluded from long-term liabilities was \$4,240,000 at June 30, 2006.

Rural Development Loan

On July 25, 2002, the County entered into an interest-free loan agreement with Farmers Electric Cooperative, Inc. of Greenfield, Iowa. The County borrowed \$24,000 to help finance the expansion and renovation of Three Mile Lodge operated by the Union County Conservation Board.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 6. Long-Term Liabilities (continued)

Rural Development Loan (continued)

A summary of the County's June 30, 2006 rural development loan indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2007	\$ 3,425
2008	3,425
2009	3,425
2010	3,425
2011	3,425
2012	<u>3,450</u>
	<u>\$ 20,575</u>

Note 7. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$129,368, \$124,177 and \$116,273, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Union County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Employee Health Insurance Plan

The Union County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$25,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 9. Employee Health Insurance Plan (continued)

Monthly payments of service fees and plan contributions to the Union County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to American Administrators from the Union County Employee Group Health Fund. The County records the plan assets and related liabilities of the Union County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$674,284.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$105,000 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$207,299 at June 30, 2006 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2005	\$ <u>80,000</u>
Incurred claims (including claims incurred but not reported at June 30, 2006)	<u>926,795</u>
Payments	<u>901,795</u>
Unpaid claims at June 30, 2006	\$ <u><u>105,000</u></u>

Note 10. Construction Commitment

The County has entered into a contract totaling \$395,126 for bridge construction. As of June 30, 2006, costs of \$353,155 have been incurred against the contract. The balance remaining at June 30, 2006 of \$41,971 will be paid as work on the project progresses.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 11. Restatement of Beginning Balances

The County excluded outstanding checks totaling \$69,877 in the Proprietary, Internal Service Fund from the prior year financial statements. The following beginning balances have been restated to properly reflect this adjustment as of July 1, 2005 as shown below.

	Internal Service Fund Net Assets	Governmental Activities Net Assets
Balance, as previously reported	\$ 462,842	\$ 3,203,042
Adjustments:		
Unrecorded outstanding checks	<u>(69,877)</u>	<u>(69,877)</u>
Balance, as restated	<u>\$ 392,965</u>	<u>\$ 3,133,165</u>

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Required Supplementary Information

UNION COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2006

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 3,870,229	\$ 3,530,907	\$ 3,843,598	\$ 26,631
Interest and penalty on property tax	59,936	25,695	25,695	34,241
Intergovernmental	2,680,229	2,999,049	2,999,049	(318,820)
Licenses and permits	18,578	23,090	23,090	(4,512)
Charges for service	398,084	341,765	341,765	56,319
Use of money and property	145,114	92,046	92,046	53,068
Miscellaneous	203,396	125,165	139,403	63,993
Total receipts	<u>7,375,566</u>	<u>7,137,717</u>	<u>7,464,646</u>	<u>(89,080)</u>
DISBURSEMENTS:				
Public safety and legal services	1,163,567	1,182,723	1,221,623	58,056
Physical health and social services	333,157	341,453	386,453	53,296
Mental health	1,410,319	1,479,139	1,479,139	68,820
County environment and education	379,986	358,754	379,754	(232)
Roads and transportation	2,237,208	2,220,704	2,265,704	28,496
Government services to residents	509,624	506,502	563,667	54,043
Administration	844,637	788,878	896,428	51,791
Debt service	518,399	518,324	518,324	(75)
Capital projects	534,644	284,200	550,200	15,556
Total disbursements	<u>7,931,541</u>	<u>7,680,677</u>	<u>8,261,292</u>	<u>329,751</u>
Excess (deficiency) of receipts over (under) disbursements	(555,975)	(542,960)	(796,646)	240,671
Balance beginning of year	<u>2,842,295</u>	<u>2,366,495</u>	<u>2,366,495</u>	<u>475,800</u>
Balance end of year	<u>\$ 2,286,320</u>	<u>\$ 1,823,535</u>	<u>\$ 1,569,849</u>	<u>\$ 716,471</u>

See accompanying independent auditor's report.

UNION COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2006

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 7,375,566	\$ 115,766	\$ 7,491,332
Expenditures	7,931,541	230,072	8,161,613
Net	(555,975)	(114,306)	(670,281)
Beginning fund balances	2,842,295	57,836	2,900,131
Ending fund balances	<u>\$ 2,286,320</u>	<u>\$ (56,470)</u>	<u>\$ 2,229,850</u>

See accompanying independent auditor's report.

UNION COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$580,615. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the County environment and education and debt service functions and disbursements in two departments exceeded the amounts appropriated.

Other Supplementary Information

UNION COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 4,427	\$ 19,022	\$ 31,982	\$ 1,213
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	336	-
Accrued interest	-	-	116	2
Due from other governments	-	5,200	-	2,030
Total assets	<u>\$ 4,427</u>	<u>\$ 24,222</u>	<u>\$ 32,434</u>	<u>\$ 3,245</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 4,412	\$ -	\$ -	\$ -
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	<u>4,412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	15	24,222	32,434	3,245
Total fund equity	<u>15</u>	<u>24,222</u>	<u>32,434</u>	<u>3,245</u>
Total liabilities and fund equity	<u>\$ 4,427</u>	<u>\$ 24,222</u>	<u>\$ 32,434</u>	<u>\$ 3,245</u>

<u>Care Facility Trust</u>	<u>Care Facility Depreciation</u>	<u>Commissary</u>	<u>COOP Urban Renewal</u>	<u>Water Grid</u>	<u>Debt Service</u>
\$ 111,351	\$ 21,958	\$ 4,335	\$ 198,563	\$ 5,517	\$ 10,884
-	-	-	-	-	1,265
-	-	-	241,000	-	273,000
-	-	-	-	-	-
2,872	-	-	132	5	-
-	-	-	-	-	-
<u>\$ 114,223</u>	<u>\$ 21,958</u>	<u>\$ 4,335</u>	<u>\$ 439,695</u>	<u>\$ 5,522</u>	<u>\$ 285,149</u>
\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	241,000	-	273,000
-	-	-	-	-	1,265
-	-	-	241,000	-	274,265
-	-	-	-	-	10,884
114,223	21,958	4,335	198,695	5,522	-
114,223	21,958	4,335	198,695	5,522	10,884
<u>\$ 114,223</u>	<u>\$ 21,958</u>	<u>\$ 4,335</u>	<u>\$ 439,695</u>	<u>\$ 5,522</u>	<u>\$ 285,149</u>

UNION COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	<u>Capital Projects</u>	<u>Total</u>
Assets		
Cash and pooled investments	\$ 1,472	\$ 410,724
Receivables:		
Property tax:		
Delinquent	-	1,265
Succeeding year	-	514,000
Accounts	-	336
Accrued interest	5	3,132
Due from other governments	-	7,230
	<u> </u>	<u> </u>
Total assets	\$ <u>1,477</u>	\$ <u>936,687</u>
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 1,156	\$ 5,568
Deferred revenue:		
Succeeding year property tax	-	514,000
Other	-	1,265
Total liabilities	<u>1,156</u>	<u>520,833</u>
Fund equity:		
Fund balances:		
Reserved for:		
Debt service	-	10,884
Unreserved	<u>321</u>	<u>404,970</u>
Total fund equity	<u>321</u>	<u>415,854</u>
	<u> </u>	<u> </u>
Total liabilities and fund equity	\$ <u>1,477</u>	\$ <u>936,687</u>

See accompanying independent auditor's report.

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UNION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS Year Ended June 30, 2006

	Special Revenue			
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	8,400	9,988	-	-
Charges for service	-	-	3,456	-
Use of money and property	-	343	1,011	(612)
Total revenues	8,400	10,331	4,467	(612)
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	-
County environment and education	11,417	-	-	-
Government services to residents	-	-	84	1,929
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	11,417	-	84	1,929
Excess (deficiency) of revenues over (under) expenditures	(3,017)	10,331	4,383	(2,541)
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	(3,830)	-	-
Total other financing sources (uses)	-	(3,830)	-	-
Net change in fund balances	(3,017)	6,501	4,383	(2,541)
Fund balances beginning of year	3,032	17,721	28,051	2,541
Fund balances end of year	\$ 15	\$ 24,222	\$ 32,434	\$ -

<u>Conservation Land Acquisition</u>	<u>Care Facility Trust</u>	<u>Care Facility Depreciation</u>	<u>Commissary</u>	<u>COOP Urban Renewal</u>	<u>Water Grid</u>
\$ -	\$ -	\$ -	\$ -	\$ 59,614	\$ -
35,605	-	-	-	-	5,500
-	-	-	-	-	-
118	4,893	11,344	1,863	12,340	22
<u>35,723</u>	<u>4,893</u>	<u>11,344</u>	<u>1,863</u>	<u>71,954</u>	<u>5,522</u>
-	-	-	626	-	-
-	-	5,327	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	240,137	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>5,327</u>	<u>626</u>	<u>240,137</u>	<u>-</u>
35,723	4,893	6,017	1,237	(168,183)	5,522
-	-	-	-	-	-
(35,605)	-	-	-	-	-
<u>(35,605)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
118	4,893	6,017	1,237	(168,183)	5,522
3,127	109,330	15,941	3,098	366,878	-
<u>\$ 3,245</u>	<u>\$ 114,223</u>	<u>\$ 21,958</u>	<u>\$ 4,335</u>	<u>\$ 198,695</u>	<u>\$ 5,522</u>

UNION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Debt Service	Capital Projects	Total
Revenues:			
Property and other County tax	\$ 261,103	\$ -	\$ 320,717
Intergovernmental	16,714	9,630	85,837
Charges for service	-	-	3,456
Use of money and property	-	34	31,356
Total revenues	<u>277,817</u>	<u>9,664</u>	<u>441,366</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	626
Physical health and social services	-	-	5,327
County environment and education	-	-	11,417
Government services to residents	-	-	2,013
Debt service	278,262	-	518,399
Capital projects	-	43,703	43,703
Total expenditures	<u>278,262</u>	<u>43,703</u>	<u>581,485</u>
Excess (deficiency) of revenues over (under) expenditures	(445)	(34,039)	(140,119)
Other financing sources (uses):			
Interfund transfers in	-	39,435	39,435
Interfund transfers out	-	-	(39,435)
Total other financing sources (uses)	<u>-</u>	<u>39,435</u>	<u>-</u>
Net change in fund balances	(445)	5,396	(140,119)
Fund balances beginning of year	<u>11,329</u>	<u>(5,075)</u>	<u>555,973</u>
Fund balances end of year	<u>\$ 10,884</u>	<u>\$ 321</u>	<u>\$ 415,854</u>

See accompanying independent auditor's report.

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UNION COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	2,333
Other County officials	4,080	18,607	6,981	-
Receivables:				
Property tax:				
Delinquent	-	-	-	461
Succeeding year	-	-	-	98,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 4,080</u>	<u>\$ 18,607</u>	<u>\$ 6,981</u>	<u>\$ 100,794</u>
LIABILITIES				
Accounts payable	\$ -	\$ 10,301	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	8,306	-	100,794
Trusts payable	4,080	-	6,981	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 4,080</u>	<u>\$ 18,607</u>	<u>\$ 6,981</u>	<u>\$ 100,794</u>

<u>County Assessor</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Townships</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 139,924	\$ 26,809	\$ 117,252	\$ 5,129	\$ 4,047	\$ 46,177	\$ 5,026
-	-	-	-	-	-	-
854	5,297	23,559	1,014	649	13,051	-
151,000	1,079,000	5,040,000	212,000	132,000	2,059,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 291,778</u>	<u>\$ 1,111,106</u>	<u>\$ 5,180,811</u>	<u>\$ 218,143</u>	<u>\$ 136,696</u>	<u>\$ 2,118,228</u>	<u>\$ 5,026</u>
\$ 2,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
286,600	1,111,106	5,180,811	218,143	136,696	2,118,228	5,026
-	-	-	-	-	-	-
3,042	-	-	-	-	-	-
<u>\$ 291,778</u>	<u>\$ 1,111,106</u>	<u>\$ 5,180,811</u>	<u>\$ 218,143</u>	<u>\$ 136,696</u>	<u>\$ 2,118,228</u>	<u>\$ 5,026</u>

UNION COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	Prairie Solid Waste Agency
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 284	\$ 220,660	\$ 5	\$ 1,153,388
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	6	-	-	-
Succeeding year	1,000	-	-	-
Accounts	-	-	-	65,614
Accrued interest	-	-	-	9,543
Due from other governments	-	-	-	-
Total assets	<u>\$ 1,290</u>	<u>\$ 220,660</u>	<u>\$ 5</u>	<u>\$ 1,228,545</u>
LIABILITIES				
Accounts payable	\$ -	\$ 9,281	\$ -	\$ 43,635
Salaries and benefits payable	-	-	-	226
Due to other governments	1,290	211,379	5	1,181,918
Trusts payable	-	-	-	-
Compensated absences	-	-	-	2,766
Total liabilities	<u>\$ 1,290</u>	<u>\$ 220,660</u>	<u>\$ 5</u>	<u>\$ 1,228,545</u>

See accompanying independent auditor's report.

<u>Law Enforcement Commission</u>	<u>Empowerment Board</u>	<u>Emergency Management</u>	<u>Advance Tax</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 1,209	\$ 60,404	\$ 1,425	\$ 49,736	\$ 649	\$ 1,834,457
-	-	-	-	-	29,668
-	-	-	-	-	44,891
-	-	-	-	-	8,772,000
-	-	-	-	-	65,614
-	412	41	-	-	9,996
5,017	-	16,698	-	-	21,715
<u>\$ 6,226</u>	<u>\$ 60,816</u>	<u>\$ 18,164</u>	<u>\$ 49,736</u>	<u>\$ 649</u>	<u>\$ 10,778,341</u>
\$ 4,630	\$ 14,543	\$ 15,882	\$ -	\$ -	\$ 100,408
-	-	-	-	-	226
1,596	46,273	(3,368)	-	649	10,605,452
-	-	-	49,736	-	60,797
-	-	5,650	-	-	11,458
<u>\$ 6,226</u>	<u>\$ 60,816</u>	<u>\$ 18,164</u>	<u>\$ 49,736</u>	<u>\$ 649</u>	<u>\$ 10,778,341</u>

UNION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2006

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year, as restated	\$ 4,080	\$ 7,221	\$ 11,454	\$ 95,643
Additions:				
Property and other County tax	-	-	-	98,880
State tax credits	-	-	-	6,044
Contract law enforcement	-	-	-	-
Office fees and collections	1,274	216,479	40,184	-
Auto license, use tax, drivers license and postage	-	-	-	-
Solid waste fees	-	-	-	-
Assessments	-	-	-	-
Trusts	160	-	175,638	-
Miscellaneous	-	-	-	-
Total additions	1,434	216,479	215,822	104,924
Deductions:				
Agency remittances:				
To other funds	1,274	104,322	39,682	-
To other governments	-	100,771	502	99,773
Trusts paid out	160	-	180,111	-
Total deductions	1,434	205,093	220,295	99,773
Balances end of year	\$ 4,080	\$ 18,607	\$ 6,981	\$ 100,794

<u>County Assessor</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Townships</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 291,273	\$ 1,104,285	\$ 4,920,595	\$ 211,084	\$ 131,233	\$ 2,587,230	\$ 4,612
151,922	1,085,418	5,051,205	213,346	136,274	1,977,096	-
11,204	69,465	310,414	13,290	7,888	168,377	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,262
-	-	-	-	-	-	-
2,704	-	-	-	-	-	-
165,830	1,154,883	5,361,619	226,636	144,162	2,145,473	6,262
-	-	-	-	-	-	-
165,325	1,148,062	5,101,403	219,577	138,699	2,614,475	5,848
-	-	-	-	-	-	-
165,325	1,148,062	5,101,403	219,577	138,699	2,614,475	5,848
\$ 291,778	\$ 1,111,106	\$ 5,180,811	\$ 218,143	\$ 136,696	\$ 2,118,228	\$ 5,026

UNION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2006

	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	Prairie Solid Waste Agency
ASSETS AND LIABILITIES				
Balances beginning of year, as restated	\$ 1,286	\$ 222,297	\$ 2	\$ 1,017,870
Additions:				
Property and other County tax	1,281	-	-	-
State tax credits	-	-	-	-
Contract law enforcement	82	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	-	2,704,002	-	-
Solid waste fees	-	-	-	776,506
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	104	87,218
Total additions	1,363	2,704,002	104	863,724
Deductions:				
Agency remittances:				
To other funds	-	102,371	-	-
To other governments	1,359	2,603,268	101	653,049
Trusts paid out	-	-	-	-
Total deductions	1,359	2,705,639	101	653,049
Balances end of year	\$ 1,290	\$ 220,660	\$ 5	\$ 1,228,545

See accompanying independent auditor's report.

<u>Law Enforcement Commission</u>	<u>Empowerment Board</u>	<u>Emergency Management</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 3,233	\$ 68,775	\$ 19,173	\$ 28,041	\$ -	\$ 596	\$ 10,729,983
-	-	-	-	-	-	8,715,422
-	-	-	-	-	-	586,682
82,286	-	-	-	-	-	82,368
-	-	-	-	-	-	257,937
-	-	-	-	-	-	2,704,002
-	-	-	-	-	-	776,506
-	-	-	-	-	-	6,262
-	-	-	56,461	309,311	-	541,570
-	171,800	115,212	-	-	3,127	380,165
82,286	171,800	115,212	56,461	309,311	3,127	14,050,914
-	-	-	-	-	-	247,649
79,293	179,759	116,221	-	-	3,074	13,230,559
-	-	-	34,766	309,311	-	524,348
79,293	179,759	116,221	34,766	309,311	3,074	14,002,556
\$ 6,226	\$ 60,816	\$ 18,164	\$ 49,736	\$ -	\$ 649	\$ 10,778,341

UNION COUNTY
 LAW ENFORCEMENT COMMISSION FUND
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 Year Ended June 30, 2006

Additions:

Contributions from other governmental units:

Union County	\$ 41,143	
City of Creston	<u>41,143</u>	\$ <u>82,286</u>

Deductions:

Office supplies	3,253	
Telephone	8,681	
Computer software maintenance	5,275	
Inmate supplies	2,072	
Contractual services	5,928	
Janitorial	5,096	
Utilities	29,356	
Repairs and maintenance	6,242	
Insurance	1,462	
Office equipment	5,737	
Building improvements	2,660	
Miscellaneous	<u>3,531</u>	<u>79,293</u>

Net		2,993
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Balance beginning of year		<u>3,233</u>
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Balance end of year		<u>\$ <u>6,226</u></u>
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See accompanying independent auditor's report.

UNION COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property and other County tax	\$ 3,926,941	\$ 3,499,594	\$ 4,373,383	\$ 3,290,664
Interest and penalty on property tax	49,311	68,137	48,989	42,956
Intergovernmental	2,816,113	3,071,775	3,157,926	3,084,980
Licenses and permits	18,653	18,918	14,649	15,362
Charges for service	420,238	424,541	381,389	332,637
Use of money and property	152,784	107,413	97,546	158,313
Miscellaneous	107,292	58,245	76,148	105,261
Total	<u>\$ 7,491,332</u>	<u>\$ 7,248,623</u>	<u>\$ 8,150,030</u>	<u>\$ 7,030,173</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,171,759	\$ 1,117,032	\$ 1,166,689	\$ 1,021,263
Physical health and social services	345,669	297,102	270,334	315,862
Mental health	1,573,478	1,389,755	1,362,450	1,278,649
County environment and education	386,967	282,238	319,864	283,016
Roads and transportation	2,271,050	2,397,005	2,356,278	2,435,477
Government services to residents	505,397	332,205	304,926	284,120
Administration	848,301	795,600	984,631	836,747
Non-program	-	-	-	543,222
Debt service	518,399	516,781	543,435	-
Capital projects	540,593	95,516	664,585	721,925
Total	<u>\$ 8,161,613</u>	<u>\$ 7,223,234</u>	<u>\$ 7,973,192</u>	<u>\$ 7,720,281</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Union County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 12, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Union County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union County and other parties to whom Union County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Union County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 12, 2006

UNION COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 County Sheriff Commissary – The inmate trust account listing and the accumulated profits in the account were not reconciled with the bank balance monthly.

Recommendation – The listing of inmate trust account balances and the accumulated profits in the account should be reconciled with the bank balance monthly.

Response – From now on, the Active Cash Balance Report and the bank statements will be reconciled monthly. As of July 2006, we have implemented a new reconciling process which will reconcile the inmate balance and the commissary profit balance.

Conclusion – Response accepted.

- I-B-06 Sheriff's Office Forfeiture Account – The Sheriff's office receives collections from forfeited items in an account at the Sheriff's office. The funds are used by the Sheriff's office to purchase investigative equipment and supplies. We noted \$868 of equipment that was purchased during the year from this account. This purchase did not run through the normal County budget procedures and was therefore not charged against the County budget.

Recommendation – This activity should be included in the County's annual budget and financial statements as a special revenue fund. It would have its own budgetary department and would not be mixed with General Fund money. The Sheriff would then submit a claim against this fund when purchases are made. All proceeds disbursed would be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for the County Governments in Iowa.

Response – This account has very little activity. If we collect any new forfeiture receipts, we will look into setting up a new forfeiture fund with the County Auditor and the County Treasurer.

Conclusion – Response accepted.

- I-C-06 Disbursements – Out of forty disbursements tested, two were not fully supported by an invoice or receipt prior to the warrants being released for payment. One of these disbursements was a payment from a credit card statement without an accompanying receipt.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation, prior to the warrant being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the warrant being released for payment.

Conclusion – Response accepted.

UNION COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- I-D-06 Untimely Deposits – Out of eighteen receipts tested, one was not deposited timely. The receipt was held by the recipient for several weeks before being given to the County Treasurer for deposit.

Recommendation – Receipts should be turned in to the County Treasurer on a timely basis. All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds.

Response – We will try to ensure that the County Treasurer receives all receipts on a timely basis.

Conclusion – Response accepted.

UNION COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the County environment and education and debt service functions. Disbursements in the conservation and coop urban renewal departments exceeded the amounts appropriated. Also, disbursements exceeded budgeted amounts prior to the amendment of the budget for the County Emergency Management Commission.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- II-B-06 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Amy Goldsmith	Used computer for landfill	\$ 600

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – We discourage these types of transactions. The public purpose for this transaction should have been documented. An independent written estimate of the fair value of the used computer should have been obtained.

Response – We discussed this purchase and felt \$600 was a fair value and less than the cost of a new computer.

Conclusion – Response accepted.

- II-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

UNION COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-D-06 Business Transactions – Business transactions between the County and County officials or employees are as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Amy Goldsmith, daughter of landfill Director	Used computer for landfill	\$ 600

In accordance with Chapter 331.342(10) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the fiscal year.

- II-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted at year end, however, disbursements exceeded the amount budgeted prior to the amendment of the budget.

The Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

We also noted the following items:

- 1) The minutes of two Council meetings were not signed as required by Chapter 176A.14(3) of the Code of Iowa.
- 2) A former employee is still listed as an authorized check signer on one bank account. In addition, the Council Treasurer signs checks for this bank account but is not listed at the bank as an authorized check signer.

UNION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-I-06 County Extension Office (continued)

Recommendation – All Council minutes should be signed to comply with Chapter 176A.14(3) of the Code of Iowa. The budget should have been amended before disbursements were allowed to exceed the budget. The Extension Office should update all authorized signatures on the bank account. Authorized signatures should be updated immediately upon any applicable change of personnel.

Response – We will make sure that all minutes are properly signed. We will amend the budget when required. We will update the authorized check signers on our bank account.

Conclusion – Response accepted.

II-J-06 Treasurer's Report – The County Treasurer's semi-annual report of receipts, disbursements, and ending cash balances, including warrants outstanding against each fund, was published but did not include the receipts and disbursements for each fund as required by Chapter 349.16(3) of the Code of Iowa.

Recommendation – The semi-annual report, including receipts and disbursements for each fund, should be properly published in the future.

Response – We will properly publish all reports as required in the future.

Conclusion – Response accepted.

II-K-06 Assessor's Budget – We noted that the adopted budget expenditures for the County Assessor were higher than the published amount.

Recommendation – The adopted budget expenditures should not exceed the published amount. The County should contact the Iowa Department of Management to resolve this issue.

Response – We will make sure that the adopted budget expenditures do not exceed the published amount in the future. We will contact the Iowa Department of Management to resolve this issue.

Conclusion – Response accepted.

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